

MBS & TREASURY MARKETS

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The Day Ahead: Decent Start After PCE Comes in On-Target

The PCE price index may be a less timely report than CPI/PPI when it comes to measuring inflation in the U.S., but it's more thorough and has stronger implications for Fed policy. Traders were apparently braced for today's number to be a bit hotter. Bonds rallied moderately after core monthly PCE came in as-expected at 0.3%. Annual inflation is running at 4.1% at the headline level, and 3.4% at the core level (both in line with expectations. Bonds were a few bps higher in yield before the data and are now a few bps lower heading into the 9am hour.



Jeff Farnham

President, JTS & Co.

www.jts-co.com

P: (662) 329-9090

4158 HWY 45 N
Columbus MS 39705

NMLS#89796

JTS & Co. NMLS#55275

